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ORIGIN EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00

SAJ-01 SP-02 PM-03 DODE-00 RSC-01 SSO-00 INRE-00 /040 R

DRAFTED BY EUR/IB:WPKELLY:MJK
APPROVED BY EUR/IB - MR. LUKENS
EUR/NE:APINKNEY

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FM SECSTATE WASHDC

TO AMEMBASSY OSLO IMMEDIATE

S E C R E T STATE 234766

LIMDIS

EO. 11652: GDS

TAGS: ELAB, PINT, PO, XZ, US, NO

SUBJECT:PORTUGUESE POLITICAL SITUATION

REF.: OSLO 4715

FOR AMBASSADOR

1. FOLLOWING IS OUR LATEST POLITICAL ASSESSMENT ON
PORTUGAL. WITHIN LIMITS DISCUSSED IN PARA 7 YOU MAY DRAW
UPON THIS ASSESSMENT IN YOUR MEETING WITH FRYDENLUND ON
OCTOBER 25.

2. SUMMARY

PORTUGAL TODAY IS IN A PERIOD OF TRANSITION. THE CURRENT
LOCUS OF POWER IS SITUATED IN THREE PRINCIPAL CAMPS:

--- A) THE MINORITY OF LEFTIST MILITARY ELEMENTS,
HIGHLY VISIBLE THROUGH THE TRIUMVIRATE OF PRIME MINISTER
VASCO GONCALVES AND MAJORS VITOR ALVES AND MELO ANTUNES;

--- B) A MAJORITY OF THE MILITARY LEADERS, MODERATE
POLITICALLY, WHO ARE REFORM MINDED AND HAVE SO FAR
TEMPERED THE PACE OF EVENTS; AND

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--- C) THE WELL ORGANIZED AND EFFECTIVE COMMUNIST PARTY
OF PORTUGAL (PCP)

FOLLOWING THE EVENTS OF SEPTEMBER 28-29, DURING WHICH GENERAL SPINOLA RESIGNED, IT INITIALLY SEEMED THE GOP HAD TAKEN A DEFINITIVE STRIDE TO THE LEFT. THREE WEEKS LATER, IT NOW APPEARS THAT THE MODERATE FORCES HAVE PROVIDED AT LEAST A TEMPORARY BRAKE ON THE LEFTIST LEADERSHIP. WHILE THE SITUATION IS STILL VERY FLUID, OUR BEST ESTIMATE IS THAT FURTHER DETERIORATION TO THE LEFT CAN BE FORESTALLED ONLY IF COSTA GOMES HAS THE DETERMINATION AND THE ABILITY TO GALVANIZE THE FIRM SUPPORT OF THE MODERATES TO FORM A MEANINGFUL COUNTER WEIGHT. IF HE DOES NOT EMERGE AS THAT TYPE OF LEADER, WE ARE LIKELY TO SEE A FURTHER DRIFT TO THE LEFT AND THE POSSIBILITY OF VIOLENCE.

3. THE MILITARY POWER STRUCTURE

A LARGE MAJORITY OF THE AMORPHOUS ARMED FORCES MOVEMENT, THE GROUP THAT PERPETRATED THE APRIL 25 REVOLUTION, ARE NON-IDEOLOGICAL MODERATES WHOSE BASIC GOALS ARE DECOLONIZATION AND DEMOCRATIZATION AND LIBERALIZATION OF PORTUGUESE ECONOMIC AND POLITICAL LIFE. COSTA GOMES IS CONSIDERED BY ALL TO BE PART OF THAT MOVEMENT. HOWEVER, THE CURRENT LEADERSHIP OF THE MILITARY RESTS WITH NEITHER THE MOVEMENT NOR THE GENERAL COMMANDS. RATHER, THE POWER IS IN THE HANDS OF AN ACTIVIST GROUP WITH A DISTINCTLY LEFTIST-REFORMIST ORIENTATION, THE COORDINATING COMMISSION, WHOSE PUBLIC LEADERSHIP IS PERSONIFIED BY PRIME MINISTER GONCALVES AND ;AJORS ALVES AND MELO ANTUNES, THE GOVERNMENT TRIUMVIRATE.

THE REGULAR MILITARY OFFICERS BOTH WITHIN AND OUTSIDE THE MOVEMENT HAVE REACTED UNFAVORABLY TO THE RAPID PROMOTIONS OF THE ACTIVISTS LIKE OTELO DE CARVALHO, NOW HEAD OF COPCON, THE PORTUGUESE CONTINENTAL COMMAND, AND THE CENTER-LEFT PPD FEELS IT HAS CONSIDERABLE SUPPORT AMONG THESE CAREER OFFICERS.

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THE CHOICE OF TWO MODERATE SPINOLA PROTEGES FOR POSITIONS OF LEADERSHIP LAST WEEK INDICATES THAT THERE IS A CONSIDERABLE MODERATE FORCE STILL ACTIVE IN THE MOVEMENT.

4. THE IMPORTANCE OF COSTA GOMES

HAVING TALKED ABOUT FORCES, HOWEVER, SPECIAL

MENTION SHOULD BE MADE OF THE ROLE OF COSTA GOMES. ONE OF HIS GREATEST ASSETS, ACCORDING TO VITOR ALVES AND OTHERS WHO HAVE SERVED WITH HIM, IS HIS ABILITY

TO RECONCILE DIFFERING OPINIONS. HE IS CONSIDERED BY MANY OF THE LEFT AND RIGHT AS THE ONLY FIGURE OF STATURE REMAINING WHO CAN MODERATE AND CONTROL THE COMPETING FORCES. THE ANTI-COMMUNIST PPD, FOR EXAMPLE, FEELS HE IS COMMITTED TO ELECTIONS, AND THEREFORE, THE PPD IS COMMITTED TO HIM.

5. THE CIVILIAN POLITICAL SECTOR

THE ARMED FORCES MOVEMENT AND ITS LEADERS HAVE PROMISED FREE ELECTIONS (FOR AN ASSEMBLY TO REDRAFT THE CONSTITUTION) IN MARCH 1975. POLITICAL PARTIES ARE ACTIVELY TRYING TO ORGANIZE BUT WITHOUT MUCH SUCCESS, EXCEPT FOR THE COMMUNISTS. THE SPECTRUM OF ANNOUNCED POLITICAL PARTIES RUNS FROM MAOIST COMMUNIST TO CENTER. MARIO SOARES WEARS TWO HATS AS SOCIALIST PARTY LEADER AND FOREIGN MINISTER. UNFORTUNATELY, HE MIXES THEM UP. HE IS CONSIDERED BY THE SOCIALIST PARTY WORKERS TO BE INTERESTED ONLY IN TRAVELING AROUND THE WORLD IN HIS ROLE AS MINISTER, EVEN THOUGH HIS CONTACTS WITH WESTERN EUROPEAN SOCIALISTS ARE SUPPOSED TO FILL HIS PARTY'S COFFERS. WHEN HE RETURNS TO LISBON, HE SOUNDS MORE EXTREME IN ORDER NOT TO LOSE THE PARTY MASSES TO THE LEFT AND TALKS OF A POPULAR FRONT. HE THUS LOSES CREDIBILITY AS MINISTER. BY NOT TALKING THIS WAY ABROAD, HOWEVER, HE HAS MANAGED TO MAINTAIN CREDIBILITY WITH MOST WESTERN EUROPEAN SOCIAL DEMOCRATS.

SOURCES WERE UNANIMOUS IN SAYING THAT THE COMMUNIST
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PARTY REPRESENTS NO MORE THAN 15-20 OF THE ELECTORATE, ALTHOUGH IT IS THE BEST ORGANIZED AND BEST PLACED CIVILIAN FORCE. THE COMMUNIST PARTY HAS HAD OUTSTANDING SUCCESS IN ORGANIZING THE RURAL MUNICIPAL COUNCILS. THE MODERATE PARTIES BELIEVE THAT IF DIRECT, HONEST ELECTIONS ARE HELD, THEY WOULD WIN EASILY, BUT THAT IF INDIRECT ELECTIONS THROUGH THE MUNICIPAL COUNCILS ARE HELD THE COMMUNISTS WOULD HAVE AN ENORMOUS ADVANTAGE. WITHOUT A MILITARY REVERSAL OF PRESENT COURSE AND WITH IT THE PROBABLE APPEARANCE OF VIOLENCE, THE COMMUNIST PARTY WILL CONTINUE TO BE PART OF THE PORTUGUESE GOVERNMENT EITHER IN ITS OWN RIGHT OR THROUGH ITS PRESENCE AMONG THE MILITARY LEADERSHIP.

6. THE ECONOMIC SCENE

RAPID POLITICAL CHANGE SINCE APRIL 25 HAS BROUGHT
SERIOUS ECONOMIC DISRUPTION IN ITS WAKE.
PORTUGUESE ECONOMIC POLICY MAKERS, ALTHOUGH CONSTRAINED

BY POLITICALLY MOTIVATED GUIDELINES FROM THE COUNTRY'S
ECONOMICALLY UNSOPHISTICATED LEADERSHIP; SEEM CAPABLE
OF KEEPING ECONOMIC DIFFICULTIES WITHIN MANAGEABLE
LIMITS. WHILE ECONOMIC POLICY WILL CONTINUE TO STRESS
INCOME REDISTRIBUTION AND EMPLOYMENT GOALS WITH
ACCEPTANCE OF A HIGH RATE OF INFLATION, THUS FAR
COMMUNIST AND RADICAL MILITARY PRESSURES FOR A
THOROUGHGOING MARXIST APPROACH TO ECONOMIC MANAGEMENT
HAVE NOT PREVAILED. PORTUGAL'S BALANCE OF PAYMENTS
IS SWINGING FROM SURPLUS TO DEFICIT FASTER AND MORE
SHARPLY THAN WE HAD EARLIER EXPECTED.

7. IN DISCUSSING WITH FRYDENLUND THE PORTUGUESE
POLITICAL SITUATION, YOU SHOULD MAKE CLEAR THAT,
IN HIS RECENT VISIT TO WASHINGTON, PRESIDENT
COSTA GOMES REITERATED PORTUGAL'S COMMITMENT TO
NATO AND EXPRESSED HIS DESIRE FOR CLOSER TIES WITH THE
US. WE ACCEPT THESE ASSURANCES AT FACE VALUE BUT
WE ARE AWARE -- AS FRYDENLUND SHOULD BE -- THAT SOME
INFLUENTIAL MILITARY OFFICERS FAVOR PORTUGUESE
WITHDRAWAL FROM NATO AND THE PURSUIT OF A NON-ALIGNED
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FOREIGN POLICY. OUR OBJECTIVES IN LISBON'S HIGHLY
FLUID POLITICAL ENVIRONMENT ARE TO KEEP PORTUGAL
WITHIN NATO, TO DELIMIT THE RANGE OF COMMUNIST
INFLUENCE ON THE GOP AND IN GENERAL TO SUPPORT
THOSE ELEMENTS IN THE COUNTRY WHICH FAVOR MODERATE,
DEMOCRATIC AND PRO-WESTERN SOLUTIONS TO PORTUGAL'S
CURRENT POLITICAL AND ECONOMIC PROBLEMS. NORWEGIAN
CONTACTS WITH THESE MODERATE GROUPS (IN WHICH WE
INCLUDE THE MAINSTREAM OF THE PORTUGUESE SOCIALIST
PARTY) CAN ONLY BE HELPFUL TO US -- AND NATO --
OBJECTIVES. INGERSOLL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BRIEFING MATERIALS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 24 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE234766
Document Source: CORE
Document Unique ID: 00
Drafter: WPKELLY:MJK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740304-0503
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741018/aaaaaphq.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: : OSLO 4715
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2002 by boyleja>; APPROVED <12 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ORTUGUESE POLITICAL SITUATION
TAGS: ELAB, PINT, PO, XZ, US, NO
To: OSLO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005